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CSS WHEAT PROGRAMS

The wheat programs administered by the Commodity Stabilization Service have the following objectives:

- Attempting to bring production closer in line with demand through acreage and marketing controls.
- Putting a floor under producers' wheat prices through price-support loans and purchases.
- Storing and disposing of wheat acquired in supporting wheat prices.

These activities are authorized by various legislative acts, most important of which are the Agricultural Adjustment Act of 1938 and the Agricultural Acts of 1949 and 1954.

CONTROL PROGRAMS

When wheat supplies are much larger than anticipated needs -- as they are now -- the law requires that efforts be made to control production through acreage allotments and marketing quotas. Under acreage allotments, producers are assigned specified acreages which they cannot exceed if they wish to be eligible for price support. Marketing quotas -- if approved by two-thirds of the producers voting in a referendum -- provide penalties for any farmer who exceeds his allotted acreage.

Allotments and quotas are now in effect in a 39-State commercial wheat-producing area. They do not apply in 11 States where production is minor and where the State allotments would amount to only 25,000 acres or less.

Acreage Allotments

After World War II, acreage allotments were first put into effect for the 1954 wheat crop. They have been in effect each year since then. The allotment

for each producer is his share of a national allotment. It is based on his farm's wheat acreage in the past and other factors such as good land use, type of soil, and land contour.

The law provides a formula for determining the national acreage allotment on the basis of the total wheat supplies needed, but it also specifies that the allotment cannot be less than 55,000,000 acres. With large surpluses of wheat on hand during the past several years, it has been found necessary each year to set the national allotment at this minimum figure.

The national allotment is divided into State allotments, which are then divided into county allotments. The county allotments, in turn, are divided into individual farm allotments by the county Agricultural Stabilization and Conservation (ASC) office in the county where the farms are located.

At the time the first national minimum wheat acreage allotment was established -- in the late 1930's -- 55,000,000 acres planted to wheat would produce only enough to meet the nation's annual requirements for food, feed, and seed use, and provide an adequate additional supply for exports and for a safeguard against a short crop. During the last twenty years, however, wheat yields per acre have gone up substantially. As a result, 55,000,000 acres now produce much more wheat than they did two decades ago. Various exemptions and "loopholes" in the allotment-quota program also serve to keep production at levels which add to the wheat surplus.

Meanwhile the movement of wheat into use has not kept pace with production. While exports of wheat have gone up in recent years under the push of special programs and needs abroad, domestic consumption in total has changed little over the twenty-year span. As a result, more wheat is being produced than can be disposed of under the present pricing structure.

Marketing Quotas

Marketing quotas are designed to tighten compliance with the allotted acreages. When quotas are in effect, as they have been for the last seven wheat crops and will be for the 1961 crop, a marketing certificate is required before a producer can market any wheat. A producer who stays within his acreage allotment is automatically eligible to get a certificate permitting him to market all his wheat. A producer who exceeds his acreage allotment, however, must pay a penalty on, or store under bond, his "excess" wheat production, before he can get a marketing certificate. Unless a producer has a marketing certificate, which is issued by county ASC offices after a check on the producer's compliance with his acreage allotment, commercial warehousemen and others must deduct the amount of penalty due on all wheat offered for sale.

In general, the "excess" production on which a producer must pay a penalty or store under bond is equal to the farm's average yield of wheat per acre times the acres in excess of the farm's wheat acreage allotment. In instances where the actual yield is below the average, the actual yield is used as the basis for determining the excess production. The penalty rate per bushel on excess production, as fixed by law, is 45 percent of the May 1 wheat parity price. For the 1960 crop, the penalty rate was \$1.08 per bushel.

As in the case of acreage allotments, the law provides a formula (based on wheat needs and supplies) which is used to determine whether marketing quotas are required for a specific crop of wheat. During recent years, supplies of wheat have greatly exceeded the marketing quota level. As a result, quotas have been proclaimed by the Secretary of Agriculture each year since 1954. Before quotas can be put into effect, however, they must be

approved by at least two-thirds of the wheat farmers voting in a referendum. All marketing quotas so far proclaimed for wheat have been so approved.

PRICE SUPPORT

Producer prices for wheat are supported through loans and purchase agreements designed to maintain prices at not less than a specified national average level.

The support price for each crop of wheat is determined at the beginning of the marketing year in July. A legal formula which relates total supplies of wheat to estimated domestic and export use during the marketing year indicates a minimum support level in terms of percentages of wheat parity prices within a 75 to 90 percent-of-parity range. As a result of big wheat supplies this formula in recent years has indicated a level at the 75 percent-of-parity minimum.

For the 1960 wheat crop, the national average support price was \$1.78 per bushel. This represented 75 percent of the wheat parity price on July 1, 1960, when the 1960-61 marketing year began.

(As a guide to farmers at planting time, the law authorizes a minimum support price to be announced in advance of planting. For the 1961 wheat crop, this "advance" price was announced in July 1960 at \$1.78 per bushel. The final 1961-crop wheat support price will be redetermined on the basis of supply information and the wheat parity price as of the beginning of the 1961-62 marketing year on July 1, 1961. The final support price can be more but not less than the advance announced price of \$1.78 per bushel.)

Farmers in the commercial wheat area must be in compliance with their wheat acreage allotments, when they are in effect, to be eligible for price support. They receive support on their wheat through nonrecourse loans and purchase agreements. (Non-recourse means that delivery of the wheat consti-

tutes payment of the loan in full regardless of the market value of the wheat. (For the 1960 crop, the law required that such nonrecourse loans and purchase agreements could not exceed \$50,000 to any one individual unless the acreage planted for 1960 harvest was cut back 20 percent from 1959 acreage. A producer could obtain a recourse loan for any amount above the \$50,000 limit, but this loan must be paid back in full when it matures.)

Wheat must be in approved farm- or warehouse-storage to be eligible for price-support loans. Wheat must also meet certain quality requirements.

Loans and purchase agreements are obtained through county ASC offices. The loan amount received by a farmer is based on the number of bushels of wheat put under loan and on a terminal or county loan rate, depending on where the wheat is stored. Premiums and discounts are applied to the support rate for the grade and quality of wheat offered.

Support rates are based on the national average support price. Support rates for the various terminals reflect the average differences in cash market prices for wheat at these markets. County rates in major producing areas reflect the rate for the terminal serving the area less the freight and handling charges needed to get the wheat to the terminal. Support rates in counties farthest from terminals are generally the lowest, reflecting the higher freight costs.

In the 11 noncommercial wheat States where acreage allotments and marketing quotas do not apply, the support loan rate is 75 percent of the commercial rate.

Price-support loans are available on each year's crop from harvest time through January 31 of the following year. Purchase agreements -- under which the producer may sell a certain quantity of wheat to the Government, but does not get a loan -- must be signed before January 31.

Loans mature in most States on March 31. In some eastern and south-eastern States, the loan maturity date is the last day of February.

Farmers can redeem their loans at any time prior to maturity by paying the principal amount of the loan plus charges, mainly interest at $3\frac{1}{2}$ percent. They are then free to sell their wheat. If loans are not redeemed, the wheat pledged as security for the loan will be taken over by the Government.

Purchase agreements also terminate at the loan maturity date. The producer is not required to sell the wheat covered by the agreement to the Government, but if he elects to do so he must give notice of his intention and of the quantity he proposes to deliver. The producer gets the same price for the wheat as if it had been put under loan.

WHEAT STORAGE AND DISPOSAL

The perplexing problem of dealing with the huge wheat surplus has led many to point out wheat as the single most serious current farm difficulty. Large quantities of wheat -- nearly 2,108,000,000 bushels during the July 1, 1953 - June 30, 1960 period -- have been taken over under price-support operations by the Commodity Credit Corporation, the support-financing agency. When production is above consumption, as it has been in recent years, most of the wheat produced over and above the amount that moves into commercial channels either for domestic consumption or export ends up in the price-support inventory. As of June 30, 1960, nearly 1.2 billion bushels of wheat were in the CCC inventory and an additional 92 million bushels were under price-support loan. These tremendous quantities, which in total would supply our domestic and export needs for more than a year, require a gigantic storage and disposal operation.

Storage needs for CCC-owned wheat have been immense. For the most part, reliance has been placed on commercial warehousemen to provide the space needed. Stocks are stored only in warehouses approved under a Uniform Grain Storage Agreement which establishes uniform storage and handling charges and provides certain requirements to safeguard the stocks against loss. This Agreement was revised in 1960 to provide lower storage rates for government-owned grains. In some years, the surplus has been so large that commercial warehousemen could not store it all. Under these emergency conditions, the price-support stocks have been stored in CCC-owned temporary storage bins or in mothballed merchant ships in the reserve Maritime fleet.

Currently, almost all of the price-support inventory is stored in commercial warehouses. The latest survey at the end of June 1960 showed over 1.1 billion bushels in commercial storage, with about 40 million bushels in CCC-owned bins and about 23 million bushels in fleet reserve ships of the Maritime Administration.

Storage is only part of the problem of handling the wheat surplus. Extensive efforts are constantly being made to whittle down the size of the surplus. Export payments are made to bridge the gap between U. S. wheat prices and world prices in order to assure U. S. wheat farmers their fair share of the world market. To encourage movement of wheat to foreign countries lacking the dollars to buy, the Government through another USDA agency, the Foreign Agricultural Service, accepts foreign currencies in payment for U. S. wheat. Wheat is also exchanged for strategic and other materials under a barter program. Wheat and wheat flour are also donated to feed needy people both at home and abroad.

Four years ago, the USDA began a program to encourage the movement of wheat into export trade from commercial rather than from Government stocks. The earlier trend toward moving a larger and larger proportion of wheat into export from Government stocks had been a rapid one. In fact, by the 1955-56 marketing year, about 80 percent of all U. S. wheat exports were being drawn from Government stocks. In 1956, the USDA started the new wheat export program called "payment-in-kind." Under this operation, export needs are drawn from commercial stocks and the subsidy payment needed to meet world prices is made in the form of wheat from the CCC inventory. As a result of this change, the great bulk of wheat now moving into export comes from commercial holdings. This tends to encourage more commercial holdings of wheat and less movement into the price-support inventory. At the same time, the payment of the subsidy "in-kind" in wheat from CCC stocks permits some turnover of Government-owned grain and thus insures more effective management of Government-owned stocks.

Despite tremendous Government efforts to move CCC-owned wheat into use either in this country or abroad -- a movement totaling more than 1,381,000,000 bushels in the seven-year period from July 1, 1953 to June 30, 1960 -- disposals have not kept pace with acquisitions. As a result, the Government inventory of wheat, which on July 1, 1953 totaled about 400,000,000 bushels, had soared to about 1.2 billion bushels as of mid-1960.

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